



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
607 North 8th Street
BOISE, IDAHO 83702

MINUTES
OF
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:34 a.m., March 25, 2008. The following members were present:

Chairman Jody B. Olson
Cliff Hayes
Bill Deal
Jeff Cilek
J. Kirk Sullivan

Executive Director Alan H. Winkle, Deputy Director Don Drum, Chief Investment Officer Robert Maynard, Investment Officer Richelle Sugiyama, Deputy Attorney General Joanna Guilfooy, Financial Officer James Monroe, and Management Assistant Cheri Campbell were also in attendance. The electronic projection of materials and documents discussed in the meeting was handled by Betsy Griffith. Other persons attending portions of the meeting were:

Geoff Bridges	Milliman
Kevin Jones	DBF
Dennis Fitzpatrick	DBF
Larry Johnson	EFIB
Chris Halverson	EFIB
James Coleman	REAI
Charlie Brown	REAI
Rod MacKinnon	Mountain Pacific Investment Advisors
Bill Palumbo	Mountain Pacific Investment Advisors
Lucinda Smith	BNY Mellon
Lealan Miller	EIDE Bailly LLP
Patrice Perow	PERSI
Rhonda Yadon	PERSI

Cecile McMonigle	PERSI
Debbie Buck	PERSI
Judy Aitken	PERSI
Diane Kaiser	PERSI
Mike Mitchell	PERSI
Rose Marie Sawicki	PERSI
Doug Bates	Clearwater
Dave Richardson	Clearwater

MINUTES

Approval of the Minutes: By motion duly made by Trustee Deal and seconded by Trustee Cilek, the Board unanimously approved the minutes of the February 26, 2008 meeting as presented.

PORTFOLIO

Monthly Investment Report: Chief Investment Officer Robert Maynard reviewed his report dated March 24, 2008, an update to the March 18 version previously provided to the Board.

The capital markets continued the theme that began in late January -- generally a volatile trend sideways as the markets digest continuing poor news on economic and profit trends with expectations of continued Federal Reserve easing and aggressive actions to prevent a general financial collapse. After rallying towards the end of last month, the US equity markets dropped almost 3% on the last day of the month, and continued down 4% into March and over -14.5% for the fiscal year to date before the Fed actions of mid-March surrounding the Bear Stearns collapse brought the equity markets back to up 1.3% for the month. For the fiscal year to date, private equity and private real estate are up, and emerging markets are flat for the fiscal year, while international developed equities are down slightly less than US equities. Investment grade bonds, particularly Treasuries and TIPS, are doing very well for the fiscal year, although weak for this month. TIPS, in particular, are doing very well, and are up over 15% for the fiscal year to date.

The fund is down -1.7% for the month, and is down -3.6% for the fiscal year to date (-5.8% for the calendar YTD), at \$11.03 billion for the total fund. Private equity, Barings Global Equity, Zesiger, Fortis, Mtn Pacific, and Tukman are the leading performers against benchmark. Idaho Mortgages are also doing very well. Donald Smith, Adelante, and Bernstein (both emerging markets and global), Genesis, and Brandes are substantially trailing their benchmarks. Western and Fidelity are also substantially behind their benchmarks. Peregrine has had a particularly disappointing period

given their large cap growth bias, which is an area that generally has had relative out performance.

PERSI is ahead of the strategic benchmark for the fiscal year to date, by 1.3%. Strategic weights to private equity, emerging markets, the Idaho Mortgage program, and TIPS are the major reason. Collective active management is negative and, for the first time in quite a while, global active management is hurting, rather than helping, returns.

Private Equity Performance Update

Mario Gianinni from Hamilton Lane provided an update on the current private equity market and in particular PERSI's performance. Mr. Gianinni reported that private equity funds are being affected by the current market largely due to lenders not taking on as much of the risk as in the past. Private equity may see higher returns in the future but will have more risk. He sees two things affecting the current market, 1) Larger GP using alternate sources of capital and 2) Economy is becoming much more global.

In response to a question from Chairman Olson, Mr. Gianinni explained that many private equity managers are buying hedge fund portfolios

PERSI investments have done well over the past year with 25-26% performance. On a market value basis, the PE portfolio is well diversified across investment strategies. Diversification by geography is changing to a more global market; non-US private equity opportunities will become a larger part of the portfolio. The net cash flow is turning from net positive to net negative, and will probably continue this way through most of 2008.

INVESTMENT MANAGER COMMENTS

Chairman Olson opened the meeting to comments from PERSI investment managers. Doug Bates from Clearwater Consulting introduced a new member of their staff, Dave Richardson. He does not think the economy has hit the bottom yet and more people are agreeing that we are in recession.

Dennis Fitzpatrick of DBF stated he believes the fed has done a good job in creating liquidity; however, he would not be surprised to see inflationary pressures creep back into the economy over the next few years. As a result, he is also expecting upward pressure on long-term interest rates.

Bill Palumbo with Mountain Pacific Investments said the feds have done a complete 180 and are now doing everything they can to help the economy. He does not think they can do it without support and assistance from the legislature. He does believe we are at the bottom.

Larry Johnson with EFIB stated that they are keeping up with PERSI. He is unsure if the economy has hit bottom but said has not seen a market like this for 30 years.

Lucinda Smith with BNY Mellon announced the official merger of the two banks will be completed in July. There have been some changes in processes and manager letters are forthcoming.

EXECUTIVE DIRECTOR UPDATES

Callan Contract Amendment

By motion duly made by Trustee Cilek and seconded by Trustee Deal, the Board unanimously approved the First Amendment to the Investment Consultant Agreement. This amendment provides for a 3% fee increase beginning January 1, 2008. The rate will change from the current rate per quarter of \$62,327.88 to the new rate of \$64,197.71 per quarter, or \$256,790.84 per year.

Choice 401K Plan Compliance: Director Winkle provided an update on Choice 401K amendments and IRS determination letter requirements. The staff will have a full report including a strike and add draft of the amendments at the April meeting. Once the Choice 401K plan amendments are completed, they will start on the DB Plan.

Chairman Olson asked Diane Kaiser and Joanna Guilfooy if PERSI is in trouble over this. They both stated there is no trouble, just needs to be done.

Trustee Deal noted that Diane Kaiser made an excellent presentation on the Choice 401K plan at the Department of Finance office last week.

Legislative Update: Mr. Winkle reviewed the third Legislative Status Report of the session, which tracks issues and potential legislation affecting PERSI. The Governor has signed HB589 PERSI Appropriations. RS19089 Lump Sum Disability for safety officers failed. SB1447 has passed the Senate and gone to the House.

Chairman Olson asked Charlie Brown with REAI how he feels about SB1447. Mr. Brown thinks the bill has possibilities but leaves some questions about what will happen to retiree medical coverage a few years down the road.

Executive Director's Status Report: Director Winkle asked the Trustees if there were any questions regarding his Status Update dated March 18, 2008, previously provided to the Board. Chairman Olson stated he would like to move forward on plans for the 820 Washington building. He feels the

building should be torn down and a twin to the current PERSI office built in its place.

Deputy Director's Status Update: Chairman Olson commended Deputy Director Drum for his Status Report memo dated March 17, 2008 reminding everyone what PERSI's Mission Statement says.

Mr. Drum introduced Patrice Perow and Judy Aitken to review the findings and next steps on the Customer Satisfaction Survey. Patrice reviewed the findings from the survey and reported on the lessons learned from the first phase. Judy covered the next step actions items and explained some of the changes being made to the process.

Deputy Director Drum reported that he has begun the process of obtaining position descriptions and will compare each employee's skills with the duties of their position. This will provide an indicator of needs for internal training as we move from specialists to generalist. He will have a report on this program at the May meeting.

FISCAL

Fiscal Update: Financial Officer Jim Monroe reviewed the report dated March 17, 2008 that was previously distributed to the members. He reported that short-term merit increases have gone into effect for the next seven pay periods. During the next few months, permanent CEC increases will be determined and begin in mid June when the short-term increases have ended.

Audit Contract Recommendation

Mr. Monroe presented the Trustees with a copy of the recommendation to contract with Eide Bailly, LLP for audit services. He reviewed how the evaluation committee ranked the four firms and why Eide Bailly was being recommended. Trustee Hayes reported that the PERSI staff did an outstanding job in the analysis of the proposals and he supports the recommendation. Motion was made by Trustee Hayes and seconded by Trustee Deal to accept the recommendation. The vote was unanimous.

Expense Reports

Mr. Monroe reviewed the Administrative and Portfolio Budget reports for February that were previously provided to the members. He reported that in total the expenses compared to budget are on track for the time of year.

EXECUTIVE SESSION

Citing Idaho Code §67-2345(b), which authorizes an Executive Session to discuss personnel issues, by motion duly made by Trustee Deal and seconded by Trustee Sullivan and approved unanimously, the Board convened in Executive Session at 10:15 a.m. No decisions were made during the session. They reconvened in regular session at 10:35 a.m.

OTHER BUSINESS

May Meeting Location: Chairman Olson announced that the location of the May Board Meeting has been changed to the PERSI office in Boise due to Memorial Day.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:37 a.m.

Alan H. Winkle
Executive Director

Jody B. Olson
Chairman